

Message Text

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PAGE 01 NEW DE 10099 180807Z

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 L-03 /057 W

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4765

INFO AMCONSUL BOMBAY

AMCONSUL MADRAS

AMCONSUL CALCUTTA

LIMITED OFFICIAL USE NEW DELHI 10099

PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: PAYMENT OF BONUS TO EMPLOYEES OF AMERICAN EXPRESS
INTERNATIONAL BANKING CORPORATION

1. IN THE WAKE OF THE BONUS AMENDMENT LEGISLATION DURING
THE EMERGENCY, THE RESERVE BANK OF INDIA (RBI) ORDERED THE
MANAGEMENT OF AMERICAN EXPRESS NOT TO PAY A BONUS TO ITS
EMPLOYEES WHO HAD ENTERED INTO A PACKAGE DEAL SETTLEMENT ON
VARIOUS ITEMS INCLUDING BONUSES FOR 1974 TO 1977.

2. THE ALL-INDIA COORDINATION COMMITTEE OF THE AMERICAN
EXPRESS EMPLOYEES TOOK THE ISSUE OF THE BONUS TO THE LABOR
COURT WHICH DECIDED IN FAVOR OF THE EMPLOYEES. THE MANAGE-
MENT, WHILE AGREEING TO PAY THE BONUS, WANTED THE CONCURRENCE
OF THE RBI.

3. IN SPITE OF INTERVENTION OF THE LABOR MINISTRY IN FAVOR
OF THE EMPLOYEES, THE RBI HAS ISSUED AN ORDER DIRECTING
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AMERICAN EXPRESS TO FILE AN APPEAL BY WAY OF SPECIAL LEAVE
UNDER ARTICLE 136 OF THE CONSTITUTION IN THE SUPREME COURT
AGAINST THE JUDGEMENT OF THE LABOR COURT.

4. AMERICAN EXPRESS WILL BE SUBMITTING AN APPEAL TO THE
SUPREME COURT TODAY OR TOMORROW. THEY SEE A FIFTY-FIFTY
CHANGE OF THE SUPREME COURT HEARING THE CASE. THE REASON

FOR THE RBI DECISION IS THE FEAR THAT THE AMERICAN EXPRESS SETTLEMENT WILL SET A PRECEDENT THROUGHOUT THE BANKING INDUSTRY AND WILL SPREAD TO OTHER AREAS AS WELL. AMERICAN EXPRESS IS WILLING TO PAY THE BONUS AND BELIEVES THAT ULTIMATELY IT WILL.

GOHEEN

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Message Attributes

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Disposition Case Number: n/a
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Disposition History: n/a
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